



## Consolidated Financial Results for the Three Months Ended March 20, 2016 [Japanese GAAP]

March 31, 2016

Tokyo Stock Exchange, First Section

Name of registrant: Milbon Co., Ltd.  
 Code No.: 4919 URL <http://www.milbon.co.jp>  
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 Scheduled filing date for quarterly report: April 28, 2016  
 Scheduled starting date of dividend payments: -  
 Preparation of supplementary materials on the quarterly results: Yes  
 Holding of an explanatory meeting on the quarterly results: None

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(Amounts of less than one million yen have been omitted.)

### 1. Consolidated financial results for the three months ended March 20, 2016 (December 21, 2015 - March 20, 2016)

(1) Consolidated operating results (Percentages show year-on-year changes.)

|                                   | Net sales   |      | Operating income |       | Ordinary income |        | Profit attributable to owners of parent |        |
|-----------------------------------|-------------|------|------------------|-------|-----------------|--------|---|--------|
|                                   | Million yen | %    | Million yen      | %     | Million yen     | %      | Million yen                             | %      |
| Three months ended March 20, 2016 | 6,708       | 10.3 | 924              | (7.3) | 813             | (17.0) | 546                                     | (14.0) |
| Three months ended March 20, 2015 | 6,083       | 4.9  | 997              | 5.7   | 980             | 15.3   | 635                                     | 26.9   |

(Note) Comprehensive income Three months ended March 20, 2016: 434 million yen [(53.3)%] Three months ended March 20, 2015: 930 million yen [64.7%]

|                                   | Basic earnings per share |  | Diluted earnings per share |  |
|-----------------------------------|--------------------------|--|----------------------------|--|
|                                   | Yen                      |  | Yen                        |  |
| Three months ended March 20, 2016 | 33.37                    |  | -                          |  |
| Three months ended March 20, 2015 | 38.79                    |  | -                          |  |

### (2) Consolidated financial position

|                         | Total assets |  | Net assets  |  | Equity ratio |  |
|-------------------------|--------------|--|-------------|--|--------------|--|
|                         | Million yen  |  | Million yen |  | %            |  |
| As of March 20, 2016    | 29,901       |  | 26,007      |  | 87.0         |  |
| As of December 20, 2015 | 30,799       |  | 26,212      |  | 85.1         |  |

(Reference) Equity As of March 20, 2016: 26,007 million yen As of December 20, 2015: 26,212 million yen

### 2. Payment of dividends

|  | Annual dividends   |                    |                    |                    |       |
|--|--------------------|--------------------|--------------------|--------------------|-------|
|  | End of 1st quarter | End of 2nd quarter | End of 3rd quarter | End of fiscal year | Total |
| Year ended December 20, 2015             | -                  | 35.00              | -                  | 39.00              | 74.00 |
| Year ending December 20, 2016            | -                  |                    |                    |                    |       |
| Year ending December 20, 2016 (forecast) |                    | 38.00              | -                  | 40.00              | 78.00 |

(Note) Changes to latest dividends forecast: None

### 3. Consolidated operating forecasts for the fiscal year ending December 20, 2016 (December 21, 2015 - December 20, 2016)

(Percentages show year-on-year changes.)

|                               | Net sales   |     | Operating income |     | Ordinary income |     | Profit attributable to owners of parent |     | Profit per share |  |
|-------------------------------|-------------|-----|------------------|-----|-----------------|-----|---|-----|------------------|--|
|                               | Million yen | %   | Million yen      | %   | Million yen     | %   | Million yen                             | %   | Yen              |  |
| Year ending December 20, 2016 | 28,950      | 5.7 | 5,000            | 5.8 | 4,700           | 6.2 | 3,100                                   | 5.1 | 189.34           |  |

(Note) Changes to latest performance forecasts: None

\*Notes

(1) Significant changes in subsidiaries during the period  
 (changes in specified subsidiaries resulting in the change in the scope of consolidation) : None  
 New: 0 companies (Company name: ) Exclude: 0 companies (Company name: )

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatements

- 1) Changes in accounting policies due to amendment to the accounting standards, etc. : Yes
- 2) Changes in accounting policies other than those in 1) above : None
- 3) Changes in accounting estimates : None
- 4) Retrospective restatements : None

(4) Number of shares issued (common stock)

|   |                                      |                   |                                      |                   |
|---|--------------------------------------|-------------------|--------------------------------------|-------------------|
| 1) Number of shares issued at the end of the period (including treasury shares) | As of<br>March 20, 2016              | 16,558,617 shares | As of<br>December 20, 2015           | 16,558,617 shares |
| 2) Number of treasury shares at the end of the period                           | As of<br>March 20, 2016              | 186,406 shares    | As of<br>December 20, 2015           | 186,242 shares    |
| 3) Average number of shares during the period (cumulative)                      | Three months ended<br>March 20, 2016 | 16,372,280 shares | Three months ended<br>March 20, 2015 | 16,373,819 shares |

\*Status of execution of quarterly review of financial statements

As these financial statements are not subject to the review of the quarterly financial statements pursuant to the Financial Instruments and Exchange Act, procedures for said review are not completed at the time of disclosure of this report.

\*Explanation on the appropriate use of operating forecasts and other special instructions

Operating forecasts and other statements regarding the future presented in these materials are based on information currently available and certain assumptions deemed to be reasonable, and actual performance may differ substantially due to various factors.

Contents of supplementary materials

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## 1. Qualitative Information on Consolidated Results for the Current Period

## (1) Qualitative information on consolidated operating results

During the three month period ended March 20, 2016, the Japanese economy remained in a state of uncertainty over its future, despite the continued recovery in the environment surrounding employment and income, due to a plunge in crude oil price triggered by concerns about relaxation of supply and demand accompanying economic slowdown in emerging economies.

In the beauty industry, although business conditions continue to pose challenges due to the adverse impact of demographic trends, patterns of consumption seem to be changing, and amounts that people spend in beauty salons on an annual basis appear to be on the rise, among those in their late 20s and 40s, as well as those in their 50s whose household incomes and expenditures tend to be higher than those of other demographic segments.

Amid this environment, the Milbon Group believes that professionals must respond to attitudes of female beauty which vary from generation to generation. As such, we will work with salons premised on the goal of “helping to lend radiance to the stages of beauty experienced by women as individuals, thereby seizing on the two demographic milestones of beauty — that of the ‘Hanako generation’ (women in their 50s embarking on a quest for beauty) and that of the ‘Hanako junior generation’ (women in their 20s awakening to the notion of beauty).”

Consolidated net sales during the three month period ended March 20, 2016 increased to 6,708 million yen (up 10.3% year-on-year). In the hair care product category, the increase in net sales was largely due to brisk sales of the new line of Aujua from the Company’s premium brand which launched this fiscal year and a leave-in hair treatment from the Company’s professional brand. In the hair coloring product category, one of the factors for the increase in net sales was that sales of the hair coloring product line specialized for gray hair which launched last year continues to grow steadily. Furthermore, steady business development in Asia, including China and South Korea, also contributed to the increase.

Operating income was 924 million yen (down 7.3% year-on-year), ordinary income was 813 million yen (down 17.0% year-on-year) and profit was 546 million yen (down 14.0% year-on-year). Although these results reflected a deterioration in the cost-to-sales ratio and an increase in personnel expenses, among others, the levels are within expectations, and the results for the fiscal year ending December 20, 2016 are expected to be as initially forecasted.

Breakdown of net sales by product category and breakdown of net sales into domestic and overseas sales are shown below:

[Breakdown of consolidated net sales by product category]

(Unit: Million yen)

| Product category        | Three months ended<br>March 20, 2015 |           | Three months ended<br>March 20, 2016 |           | Increase<br>(decrease)<br>amount | Year-on-year<br>change (%) |
|-------------------------|--------------------------------------|-----------|--------------------------------------|-----------|----------------------------------|----------------------------|
|                         | Amount                               | Ratio (%) | Amount                               | Ratio (%) |                                  |                            |
| Hair care products      | 3,537                                | 58.1      | 3,918                                | 58.4      | 380                              | 10.8                       |
| Hair coloring products  | 2,172                                | 35.7      | 2,441                                | 36.4      | 269                              | 12.4                       |
| Permanent wave products | 331                                  | 5.5       | 307                                  | 4.6       | (24)                             | (7.4)                      |
| Others                  | 41                                   | 0.7       | 41                                   | 0.6       | 0                                | 0.0                        |
| Total                   | 6,083                                | 100.0     | 6,708                                | 100.0     | 625                              | 10.3                       |

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

|                | Three months ended<br>March 20, 2015 |           | Three months ended<br>March 20, 2016 |           | Increase<br>(decrease)<br>amount | Year-on-year<br>change (%) |
|----------------|--------------------------------------|-----------|--------------------------------------|-----------|----------------------------------|----------------------------|
|                | Amount                               | Ratio (%) | Amount                               | Ratio (%) |                                  |                            |
| Domestic sales | 5,276                                | 86.7      | 5,739                                | 85.6      | 463                              | 8.8                        |
| Overseas sales | 806                                  | 13.3      | 968                                  | 14.4      | 162                              | 20.1                       |
| Total          | 6,083                                | 100.0     | 6,708                                | 100.0     | 625                              | 10.3                       |

## (2) Qualitative information on consolidated financial position

Total assets at the end of the three month period ended March 20, 2016 decreased by 897 million yen compared to the end of the previous fiscal year to 29,901 million yen.

Current assets decreased by 815 million yen compared to the end of the previous fiscal year to 13,809 million yen. This was mainly due to the 1,296 million yen decrease in cash and deposits, the 196 million yen decrease in notes and accounts receivable - trade, the 530 million yen increase in merchandise and finished goods, and the 180 million yen increase in raw materials and supplies.

Non-current assets decreased by 82 million yen compared to the end of the previous fiscal year to 16,092 million yen.

Current liabilities decreased by 633million yen compared to the end of the previous fiscal year to 3,722 million yen. This was due mainly to the 896 million yen decrease in accounts payable - other, the 384 million yen decrease in income taxes payable, the 294 million yen increase in accounts payable - trade, and the 266 million yen increase in provision for bonuses.

Non-current liabilities decreased by 58 million yen to 171 million yen compared to the end of the previous fiscal year.

Net assets decreased by 204 million yen compared to the end of the previous fiscal year to 26,007 million yen. This was due mainly to the decrease of 92 million yen in retained earnings and the 125 million yen decrease in valuation difference on available-for-sale securities attributable to the slump in stock markets.

As a result, the equity ratio changed from 85.1% at the end of the previous fiscal year to 87.0%. Net assets per share based on the total outstanding shares as of the end of the period under review decreased from 1,601.02 yen per share at the end of the previous fiscal year to 1,588.54 yen per share.

## (3) Qualitative information on consolidated operating forecasts

In terms of the full-year forecast there are no changes to the previous consolidated operating forecasts, which were announced on January 27, 2016.

2. Summary Information (Notes)

- (1) Significant changes in subsidiaries during the period

None

- (2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements

None

- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatements

(Changes in accounting policies)

(Application of the Accounting Standard for Business Combinations, etc.)

Effective from the first quarter ended March 20, 2016, the Company adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013). As a result, the presentation method for “profit” and other related items has been changed, and “minority interests” are now presented as “non-controlling interests.” To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the first three months of the previous fiscal year and the previous fiscal year.

## 3. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

|  | Previous Fiscal Year<br>(As of December 20, 2015) | Current First Quarter<br>(As of March 20, 2016) |
|--|---|---|
| <b>Assets</b>                          |   |   |
| Current assets                         |   |   |
| Cash and deposits                      | 4,912,293   | 3,615,560                                       |
| Notes and accounts receivable - trade  | 3,424,543   | 3,228,483                                       |
| Securities                             | 2,500,000   | 2,500,000                                       |
| Merchandise and finished goods         | 2,428,521   | 2,959,342                                       |
| Work in process                        | 30,925  | 49,059  |
| Raw materials and supplies             | 835,568   | 1,016,081                                       |
| Other                                  | 541,623   | 602,287   |
| Allowance for doubtful accounts        | (48,570)  | (161,200)                                       |
| Total current assets                   | 14,624,904  | 13,809,614                                      |
| Non-current assets                     |   |   |
| Property, plant and equipment          |   |   |
| Buildings and structures, net          | 4,262,671   | 4,188,437                                       |
| Machinery, equipment and vehicles, net | 1,120,346   | 1,065,614                                       |
| Land                                   | 5,277,410   | 5,278,745                                       |
| Construction in progress               | 1,348,999   | 1,414,443                                       |
| Other, net                             | 272,064   | 301,140   |
| Total property, plant and equipment    | 12,281,492  | 12,248,381                                      |
| Intangible assets                      | 398,357   | 426,037   |
| Investments and other assets           |   |   |
| Investment securities                  | 2,525,286   | 2,439,721                                       |
| Net defined benefit asset              | 278,650   | 287,856   |
| Other                                  | 740,222   | 743,816   |
| Allowance for doubtful accounts        | (49,681)  | (53,556)  |
| Total investments and other assets     | 3,494,477   | 3,417,838                                       |
| Total non-current assets               | 16,174,327  | 16,092,257                                      |
| Total assets                           | 30,799,232  | 29,901,872                                      |
| <b>Liabilities</b>                     |   |   |
| Current liabilities                    |   |   |
| Accounts payable - trade               | 684,978   | 979,168   |
| Accounts payable - other               | 2,343,762   | 1,447,695                                       |
| Income taxes payable                   | 749,005   | 364,321   |
| Provision for sales returns            | 18,394  | 15,513  |
| Provision for bonuses                  | 108,823   | 375,406   |
| Other                                  | 451,599   | 540,551   |
| Total current liabilities              | 4,356,565   | 3,722,656                                       |
| Non-current liabilities                |   |   |
| Net defined benefit liability          | 27,425  | 29,264  |
| Other                                  | 202,708   | 141,972   |
| Total non-current liabilities          | 230,133   | 171,237   |
| Total liabilities                      | 4,586,698   | 3,893,893                                       |

(Thousand yen)

|   | Previous Fiscal Year<br>(As of December 20, 2015) | Current First Quarter<br>(As of March 20, 2016) |
|---|---|---|
| Net assets  |   |   |
| Shareholders' equity                                  |   |   |
| Capital stock   | 2,000,000   | 2,000,000                                       |
| Capital surplus                                       | 199,748   | 199,761   |
| Retained earnings                                     | 23,440,262  | 23,348,147                                      |
| Treasury shares                                       | (542,094)   | (542,869)                                       |
| Total shareholders' equity                            | 25,097,916  | 25,005,039                                      |
| Accumulated other comprehensive income                |   |   |
| Valuation difference on available-for-sale securities | 737,221   | 611,408   |
| Foreign currency translation adjustment               | 311,451   | 331,339   |
| Remeasurements of defined benefit plans               | 65,944  | 60,190  |
| Total accumulated other comprehensive income          | 1,114,616   | 1,002,938                                       |
| Total net assets                                      | 26,212,533  | 26,007,978                                      |
| Total liabilities and net assets                      | 30,799,232  | 29,901,872                                      |

(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income  
 Quarterly Consolidated Statements of Earnings  
 Three Months Ended March 20, 2015 and 2016

(Thousand yen)

|   | Three Months Ended<br>March 20, 2015<br>(December 21, 2014 -<br>March 20, 2015) | Three Months Ended<br>March 20, 2016<br>(December 21, 2015 -<br>March 20, 2016) |
|---|---|---|
| Net sales   | 6,083,009   | 6,708,575   |
| Cost of sales                                     | 1,800,879   | 2,145,906   |
| Gross profit                                      | 4,282,129   | 4,562,668   |
| Selling, general and administrative expenses      | 3,284,564   | 3,637,852   |
| Operating income                                  | 997,565   | 924,816   |
| Non-operating income                              |   |   |
| Interest income                                   | 1,600   | 1,855   |
| Dividend income                                   | 192   | 192   |
| Foreign exchange gains                            | 25,995  | -   |
| Company house defrayment income                   | 14,326  | 14,048  |
| Gain on surrender of insurance                    | 44,056  | 2,626   |
| Other   | 2,783   | 2,986   |
| Total non-operating income                        | 88,954  | 21,709  |
| Non-operating expenses                            |   |   |
| Sales discounts                                   | 104,834   | 111,796   |
| Foreign exchange losses                           | -   | 20,637  |
| Other   | 1,429   | 392   |
| Total non-operating expenses                      | 106,263   | 132,826   |
| Ordinary income                                   | 980,256   | 813,699   |
| Extraordinary losses                              |   |   |
| Loss on retirement of non-current assets          | 449   | 343   |
| Total extraordinary losses                        | 449   | 343   |
| Income before income taxes and minority interests | 979,807   | 813,356   |
| Income taxes - current                            | 377,092   | 343,739   |
| Income taxes - deferred                           | (32,467)  | (76,791)  |
| Total income taxes                                | 344,625   | 266,948   |
| Profit  | 635,182   | 546,407   |
| Profit attributable to owners of parent           | 635,182   | 546,407   |

Quarterly Consolidated Statements of Comprehensive Income  
 Three Months Ended March 20, 2015 and 2016

(Thousand yen)

|  | Three Months Ended<br>March 20, 2015<br>(December 21, 2014 -<br>March 20, 2015) | Three Months Ended<br>March 20, 2016<br>(December 21, 2015 -<br>March 20, 2016) |
|--|---|---|
| Profit   | 635,182   | 546,407   |
| Other comprehensive income                                     |   |   |
| Valuation difference on available-for-sale securities          | 149,150   | (125,812)   |
| Foreign currency translation adjustment                        | 152,202   | 19,888  |
| Remeasurements of defined benefit plans, net of tax            | (6,078)   | (5,754)   |
| Total other comprehensive income                               | 295,274   | (111,677)   |
| Comprehensive income   | 930,457   | 434,730   |
| Comprehensive income attributable to                           |   |   |
| Comprehensive income attributable to owners of parent          | 930,457   | 434,730   |
| Comprehensive income attributable to non-controlling interests | —   | —   |

- (3) Notes regarding going concern assumption  
None
- (4) Segment information  
The Company omits information on business segments, as it is engaged in the production and distribution of hair-care products and related merchandise, all of which are deemed to belong to a single business segment.
- (5) Notes in case of any significant changes in shareholders' equity  
None